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FM AMEMBASSY ULAANBAATAR  
TO RUEHC/SECSTATE WASHDC 9967  
INFO RUEHUL/AMEMBASSY SEOUL 2275  
RUEHBJ/AMEMBASSY BEIJING 5036  
RUEHMO/AMEMBASSY MOSCOW 1501  
RUEHVK/AMCONSUL VLADIVOSTOK 0044  
RUEHSH/AMCONSUL SHENYANG 0214  
RHEBAAA/DEPT OF ENERGY WASHDC  
RUCPODC/USDOC WASHDC 1034  
RUEHLMC/MILLENNIUM CHALLENGE CORP WASHINGTON DC 0283  
RUEATRS/DEPT OF TREASURY WASHDC  
RUEKJCS/SECDEF WASHDC

UNCLAS ULAANBAATAR 000433

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STATE PASS MCC, OPIC, AND EXIMBANK  
STATE FOR EAP/CM AND EB/ENRG

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TAGS: [ENRG](#) [PREL](#) [ELTRN](#) [MG](#) [RU](#) [CH](#)

SUBJECT: MONGOLIA ENERGY UPDATE: OIL IMPORTS RISE

REF: ULAANBAATAR 212

¶1. (U) SUMMARY: Mongolia is entirely dependent on imported oil, importing 574,300 tons in 2005, principally from Russia (80%), Kazakhstan, and China. Mongolia exported its domestic production in 2005 of 25,000 tons to China, according to the Vice Chairman of the Mineral Resources and Petroleum Authority (MRPA), and it hopes 2006 production will hit 64,000 tons. Investment in the oil sector remains small, at just US\$170 million to date, although a Chinese venture plans to spend about US\$100 million on exploration in 2006, according to press reports. END SUMMARY.

¶2. (U) Vice Chairman of Mongolia's Mineral Resources and Petroleum Authority (MRPA) O. Davaasambuu told the press last week that, in 2005, Mongolia imported 574,300 tons of oil, with 80% coming of the total coming from Russia and the remainder from Kazakhstan and China. Mongolia imported 5,200 tons of natural gas in 2005, up from 1,568 tons in 2004.

¶3. (U) For 2005, Essentially all of Mongolia's 25,000 tons of domestically produced oil was exported to China. Davaasambu noted that between 1998 and 2005 some 50 wells had been drilled and almost 650,000 barrels of oil had been exported from the Toson Uul deposit. This year, under a production sharing agreement concluded between China's Daqing Oilfield Limited and Dongsheng Corporation, another 55 test holes are planned. Plans call for the pair to drill 450 wells by 2010 and to begin production in 2012 with estimated total production of 150,000 tons. Davaasambu said Mongolia has 17 areas with oil potential, principally in the country's southern regions adjacent to China. To date, investment in the oil sector amounted to US\$170 million, and Daqing plans to invest US\$100 million this year.

¶4. (U) According to press reports, the Petro Matad Corporation, a subsidiary of oil importer Petrovis, signed a production sharing agreement with the Government of Mongolia to begin exploration in the Matad-20 lease area in Dornod Aimag (province). They have budgeted US\$5 million for exploration during the five-year lease.

15. (U) In terms of domestic petroleum retail operations, Davaasambuu said the sector employs 6,000 staff members in over 300 oil companies and around 200 business which sell oil through about 100 stores and over 1,000 gas stations. He noted that because Mongolia imports all of its oil and refined products, it is susceptible to high world prices.

SLUTZ